

**Remarks**

Applicant respectfully requests reconsideration of the above referenced application in light of the Amendment submitted herewith and the Remarks that follow. Claims 1-55 are now pending in this application.

In the Office Action dated December 30, 2008 (the “Office Action”), claims 24 and 39 were rejected under 35 U.S.C. 112 as being indefinite. Claims 1-55 were rejected under 35 U.S.C. 103(a) as being unpatentable over U.S. Patent No. 6,304,858 to Mosler (hereinafter referred to as “Mosler”) in view of U.S. Publication No. 2003/0144936 to Sloan (hereinafter referred to as “Sloan”).

The undersigned’s Remarks are preceded by related comments in the Office Action, presented in small bold-faced type font.

**Applicant’s request for withdrawal of the Office Action:**

As an initial matter, Applicant respectfully addresses the statements in the conclusion of the Final Office Action:

**Conclusion**

**In response to Applicant’s arguments filed 11/3/2008 has been fully considered but they are moot in view of new grounds of rejections.**

Office Action, pg. 11 (emphasis added).

Applicant respectfully submits that the Office Action qualifies the arguments presented by Applicant in the response filed on October 29, 2008 to the previous Office Action dated May 28, 2008 as moot in view of the “new” grounds of rejection. Applicant respectfully disagrees with the statement in the Office Action that the grounds of rejection are new. While the 35 U.S.C. 112 is new, the grounds of the 35 U.S.C. 103 rejection presented in the Office Action are not new. In fact, they are word for word the same as those presented in previous Office Actions issued during the prosecution of the present patent application, which Applicant already addressed in detail, as discussed below:

The Mosler reference was cited three years ago in the first Office Action issued on March 13, 2006 (the “First Office Action”, see pg. 2). Applicant filed a response to this First Office Action on

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August 14, 2006. In the response, Applicant explained why Mosler did not teach the limitations of the claimed invention, and why it did not render the claimed invention obvious (see pg. 2-7 of the August 14, 2006 response). The next Office Action issued on April 30, 2007 (the "Second Office Action") and presented the same word for word rejection based on Mosler that had been presented in the First Office Action. This identical rejection was accompanied by the statement that Applicant's arguments were "moot" in view of new grounds of rejection (Second Office Action, pg. 13). The Second Office Action did not address the arguments presented by Applicant regarding Mosler, despite the fact that the same rejection based on Mosler was repeated. In response to the Second Office Action, Applicant repeated the same arguments against Mosler submitted in response to the First Office Action, pointing out that they were not moot and remained unaddressed. In the third Office Action issued on July 26, 2007, Mosler was no longer cited. Applicant therefore concluded that Mosler had been overcome by the arguments presented. It is therefore unexpected that, two office actions later, the fifth (present) Office Action issued on December 30, 2008 repeats essentially the same word for word rejection (except for minor formal claim amendments that have been made along the prosecution) presented in the First (and Second) Office Action based on Mosler, when the arguments presented by Applicant in regards to Mosler were overcome earlier in the prosecution of the present application, and in any event were never addressed by the Office.

A similar situation applies to the second reference, Sloan, relied on to reject Applicant's claims. Sloan was first cited in the fourth Office Action issued on May 28, 2008 (the "Fourth Office Action"). Applicant presented arguments traversing the rejection on October 29, 2008 (pg. 6-8). The fifth (present) Office Action states that Applicant's arguments are "moot in view of new grounds of rejection", and yet it still presents the same word for word rejection based on Sloan that was presented in the Fourth Office Action without ever having addressed Applicant's reply.

In view of the foregoing, it appears to Applicant that the prosecution of the present Application, after five Office Actions is being unnecessarily and inappropriately prolonged. First, the prosecution of

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the present Application has come full circle by relying on art overcome earlier in the prosecution of the application. Second, the prosecution of this application is being unnecessarily prolonged by failing to address the Applicant's arguments in compliance with the MPEP's § 707.07(f), § 7.37. Applicant respectfully submits that the conduct of the prosecution in this case is adding unnecessary prosecution costs and shortening the life of any resulting patent.

Applicant's arguments traversing the First, Second and Fourth Office Action's 35 U.S.C. 103 rejections (in particular regarding Mosler and Sloan) are not moot and remain unaddressed. Applicant respectfully requests that the arguments presented to traverse the 35 U.S.C. 103 rejection regarding Mosler and Sloan be considered and addressed in compliance with the MPEP (MPEP, § 707.07(f), § 7.37).

The Examiner is thanked in advance for such reconsideration.

Thus, Applicant respectfully requests that the December 30, 2008 Office Action be withdrawn and that, if there are any outstanding issues preventing the allowance of the present application, that the Examiner contact the undersigned by telephone so that these issues may be resolved. Otherwise, Applicant respectfully requests the allowance of this application.

The undersigned held a telephone interview with the Examiner on April 23, 2009 to explain the foregoing facts. The Examiner requested that Applicant file a response to the Office Action detailing the issues discussed above. Applicant is hereby complying with the Examiner's request.

Applicant's reply to the rejections of the Office Action:

**Claim Rejections - 35 USC § 112**

**Claims 24, 39 is rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention.**

**Claims 24, 39 is rejected as failing to define the invention in the manner required by 35 U.S.C. 112, second paragraph.**

The claims are narrative in form and replete with indefinite and functional or operational language example "engine, model, generator "this should be define as hardware" . The structure which goes to make up the device must be clearly and positively specified. The structure must be organized and correlated in such a manner as to present a complete operative device. The claims) must be in one sentence form only. Note the format of the claims in the patents) cited.

Office Action, pg. 2.

Applicant respectfully submits that this rejection is moot in view of Applicant's Amendment of claims 24 and 39 submitted herewith. No new matter was added. Applicant respectfully submits that claim 28 has been amended accordingly for purposes of consistency.

#### Claim Rejections - 35 USC § 103

Claims 1-55, are rejected under 35 U.S.C. 103(a) as being unpatentable Mosler et al (Hereinafter Mosler U.S Patent NO: 6, 304, 858) in view of Sloan et al (Hereinafter Sloan Pub: NO: 2003/0144936 A1).

As per claim 1, Mosler discloses a computer implemented method by which an entity manages an exposure to an economic risk associated with a commodity, comprising the steps of forming a model portfolio of said exposure said model representing cash flows; forming a hedging portfolio for said exposure said hedging portfolio representing cash flows, wherein at least of the steps is implemented with a computer (see column 6 lines 46-67 and column 7 lines 23-39 and column 8-14 lines 1-67).

Mosler fails to explicitly teach periodically combining said cash flows of said model portfolio and said hedging portfolio and providing a payout based on said combined cash flows wherein at least one of the steps is implemented with a computer.

However Sloan discloses in a preferred embodiment of the present invention the Lifepath model may be the hub of the financial institution's relationship. The LifePath model provides data to all coaching engine allowing customized coaching output to be dispensed to the user based on his unique financial situation. The Lifepath model combines the pertinent financial information about a user in one coherent and comprehensive picture and models the user's life intentions into an aggregated cash flows system over a user selected period of time. Using the terminal the user inputs his life intentions in terms of projected income and expenses. The Lifepath model maintains an interactive dialog between the user and financial management system (see column 5 paragraph 0058 and 0063 and column 10 paragraph 0109 and column 6 table 1).

Therefore it would have been obvious to one of ordinary skill in the art at the time the invention was made to modify the teachings of Mosler to include periodically combining said cash flows of said model portfolio and said hedging portfolio and providing a payout based on said combined cash flows wherein at least one of the steps is implemented with a computer taught by Sloan in order to manage portfolio of investment and in which an investor can limit the risk inherent in portfolio.

Office Action, pg. 3.

Since the arguments previously presented by Applicant in response to Mosler and Sloan have not been addressed, they will in essence be reproduced here.

Applicant respectfully traverses this 35 USC § 103 rejection for at least the reason that Mosler and Sloan, even when combined, do not teach or render obvious all the limitations of at least independent claims 1, 24 and 39.

As discussed in the Response filed on August 14, 2006, Applicant respectfully notes that Mosler does not disclose “[a] computer implemented method by which an entity manages an exposure to an economic risk associated with a commodity, comprising the steps of forming a model portfolio of said exposure said model representing cash flows; forming a hedging portfolio for said exposure said hedging portfolio representing cash flows, wherein at least of the steps is implemented with a computer” (emphasis added). Mosler, discloses a method for trading and settling a contract having a price based on any preselected interest rate swap (IRS) curve (Mosler, col.1, lines 19-22). Mosler, limits its disclosure to this type of transaction, and does not teach or suggest a method to manage an exposure to an economic risk associated with other types of commodities. Applicant respectfully brings to the attention of the Examiner that “commodity” is defined in Applicant’s Specification as “including, by way of non-limiting example, gas, oil, refined products, metals and financial instruments such as foreign exchange and interest rate futures contracts” (Applicant’s disclosure, para. 0042). In accordance with this, Applicant’s disclosure teaches, inter alia through various examples of non-financial commodities, how the variables involved in the production and marketing of these commodities are associated with financial risk, and how this financial risk can be modeled and hedged. There is no teaching or suggestion in Mosler about how to model exposure to an economic risk associated with a “commodity”, as such is defined in Applicant’s disclosure, since Mosler’s disclosure concerns a very narrow field, with a single type of transaction.

In addition, Mosler does not teach or suggest either forming a model “portfolio” or forming a hedging “portfolio” of an exposure to an economic risk associated with a commodity. Given that Mosler’s disclosure is uniquely concerned with IRS contracts, Mosler uniquely discloses pricing units that provide the model price for the two series of cash flows involved in the IRS contracts (Mosler, col. 7, lines 23-51), that is, the two series of payments between the two types of interests being swapped (i.e. two variables between two parties, that is to say, one variable per party). Mosler does not therefore teach or suggest how to form a model “portfolio” or a hedging “portfolio”. As taught by Applicant, at least one, but typically more variables are involved in the production and marketing of a commodity, and all of these variables create the risk exposure that must be modeled and taken into account to be able to price and hedge the production of the commodity, hence the reference to the model or hedging “portfolio”.

For similar reasons, Mosler does not teach “forming a hedging portfolio for said exposure”, since Mosler is only concerned with “IRS contracts” and not “hedging” of the exposure of a commodity, which, as disclosed in Applicant’s specification can involve an unlimited number of hedging resources, including forward sale and purchase of non-financial commodities (Applicant’s disclosure, paras. 0005 and 0006).

For at least the foregoing reasons, and the Examiner’s own acknowledgement that Mosler fails to explicitly teach providing a payout based on said combined cash flows, Mosler cannot render Applicant’s invention obvious.

The Office Action acknowledges that “Mosler fails to explicitly teach periodically combining said cash flows of said model portfolio and said hedging portfolio and providing a payout based on said combined cash flows” and cites to Sloan to provide disclosure for this part of the claimed invention. However, Applicant respectfully submits that Sloan does not cure Mosler’s defects.

As discussed by Applicant in the Response filed on October 29, 2008, Applicant respectfully disagrees with the statement in the Office Action that Sloan teaches *periodically combining said cash*

*flows of said model portfolio and said hedging portfolio and providing a payout based on said combined cash flows*, as required by Applicant's claims.

Sloan teaches an automated *coaching* system that enables a user to *analyze* his/her investment portfolio and dispenses automated advice based on the user's financial data, preferences and financial goals. The automated coaching recommends solutions and financial products specific to the user's situation, and can analyze the impact of the recommended product on the user's financial model.

However in Sloan, there is no cash flow from a hedging portfolio to be combined with a cash flow from a model portfolio. The portions in Sloan that the Office Action cites refer to an "aggregated cash flow system" (Sloan, para [0058]). This aggregated cash flow system refers to a combination of all the pertinent financial information about a user over a user selected period of time, which includes the user's projected *income and expenses*. In an exemplary embodiment of Applicant's claimed invention, the client's model portfolio can include payment obligations *to* the client, as well as invoices to be paid *by* the client (Applicant's published application, para [0047]). In another embodiment, the model portfolio is formed using a combination of actual and proxy financial contracts (Applicant's published application, para [0048]). However, these embodiments only refer to the modeling portfolio, and they differ from the steps of combining cash flows of *a model portfolio and a hedging portfolio* and providing a payout based on said combined cash flows. The aggregated cash flow system of Sloan is not Applicant's combination of cash flows of a model portfolio and a hedging portfolio. In fact, Sloan does not even teach to form a hedging portfolio. One of the references incorporated by reference in Sloan, U.S. Publication No. 2002/0147671 to Sloan (herein referred to as "Sloan II") teaches that securities may be filtered based on their Beta values, and list filtered securities with opposing Beta values. However, Sloan II does not teach to form a hedging portfolio.

In accordance with this, Sloan does not teach a tracking portfolio generator.

Moreover, Sloan does not teach a payout of combined cash flows nor a payout manager.

For at least the foregoing reasons, Sloan does not teach or even suggest “periodically combining said cash flows of said model portfolio and said hedging portfolio and providing a payout based on said combined cash flows” as required by Applicant’s claimed invention.

The Specification clearly denotes the advantages of Applicant’s system:

*By tracking the client's portfolio and hedging activity and calculating payments based thereon, the financial institution provides the client with several benefits. First, by entering into a payout arrangement with a financial institution, the client is provided with access to and use of the internal risk management, reporting and control systems of a competent financial institution. In addition, the client gains access to and involvement in the recommended hedging activity of the financial institution. Also, by suitably selecting a payout arrangement between the financial institution and the client, the client can achieve its desired financial objective, including but not limited to, cost or revenue certainty, accounting and tax treatment of revenues or costs or timing of costs and revenues. Furthermore, providing the client with such financial controls also facilitates the formation of joint ventures and tailored revenue sharing opportunities.*

Applicant’s Published US Application, para [0061].

and

*Furthermore, under the present invention, the portfolio modeling and hedging may be performed by a financial institution that has superior expertise in modeling and hedging as well as having the necessary counter-party relations to efficiently execute the hedging transactions.*

Applicant’s Published US Application, para [0072].

Sloan whether alone or combined, does not provide a system with the advantages of Applicant’s invention, because it does not teach a method by which an entity manages an exposure risk associated with a commodity, at least comprising the steps of periodically combining cash flows of a model portfolio and a hedging portfolio and providing a payout based on said combined cash flows, as required by Applicant’s claims.

Thus, the combination of Mosler with Sloan would not result in Applicant’s claimed invention.

For at least the foregoing reasons, Applicant respectfully disagrees with at least the statement in the Office Action that “periodically combining said cash flows of said model portfolio and said hedging



portfolio and providing a payout based on said combined cash flows” is taught by Sloan, and respectfully submits that the claimed invention is not obvious in view of Sloan, alone or in combination with Mosler.

Claims 24 and 39 are drawn to systems that implement the method of the invention, and contain at least the same limitation terms from claim 1 that, as Applicant has argued above, are not disclosed or suggested by Mosler, Sloan, or Mosler in view of Sloan. Thus, for at least this reason, Applicant respectfully submits that Mosler in view of Sloan cannot render Claims 24 or 39 obvious.

Claims 2-23, 25-38 and 40-55 depend directly or indirectly from claims 1, 24, or 39 and define further features and structure of the system. Accordingly, these claims are not obvious and are thus patentable for at least the reasons noted above with respect to claims 1, 24 and 39 as well as for the additional features recited therein. Notice to the effect that dependent claims 2-23, 25-38 and 40-55 are in condition for immediate allowance is respectfully requested.

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**Closing**

Claims 24, 28 and 39 have been amended. Claims 1-55 are now pending and believed to be in condition for allowance. Applicant has made a diligent effort to place this application in condition for allowance and notice to this effect is earnestly solicited. If upon review of the application, the Examiner is unable to issue an immediate notice of allowance, he is respectfully requested to telephone the undersigned attorney at (212) 589-4611 with a view towards resolving the outstanding issues.

The Commissioner is authorized to charge and fees required in connection with this submission to Deposit Account No. 50-4581.

Respectfully submitted,

Date: April 30, 2009

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